



# The opportunities and challenges facing the UK's financial Inclusion sector

---

December 2010

## Who we are

Toynbee Hall has worked on the frontline in the struggle against poverty for 130 years. Based in the East End of London we give some of the UK's most deprived communities a voice, providing access to free advice and support and working together to tackle social injustice.

Toynbee Hall helps over 13,000 people a year. Our years of experience in providing people with the skills to improve their financial health, means that we are in an ideal position to help others improve their financial health policies and practice. We have used this understanding to create the Financial Health Exchange.

The Financial Health Exchange is committed to creating a fairer, more financially healthy society and our aim is to improve financial health in the UK. We help policy-makers and practitioners stay up to date on the latest financial health thinking and ensure that financial health good practice is followed in all of their work with clients and service users.

We are at the forefront of shaping the future of financial health in the UK. Our publications, research, good practice examples and expert opinion pieces are accessible to all those who want to improve the financial health of others.

# The Opportunities and Challenges for the UK's financial inclusion sector

## Opportunities

As part of the 'Joining the Dot's' regional events we asked members to identify the main opportunities available to them in the delivery of their work<sup>4</sup>. While a diverse range of opportunities were discussed, a number of recurring themes arose across the UK:

Opportunities for financial inclusion identified in regional discussions

THEME	REGIONS DISCUSSED
<ul style="list-style-type: none"> <li>To improve joined up working, building new partnerships and improving cohesion</li> </ul>	All
<ul style="list-style-type: none"> <li>To demonstrate the economic and social value of financial inclusion work to partners and funders</li> </ul>	Wales; Yorkshire and the Humber; South West; North East; Midlands
<ul style="list-style-type: none"> <li>To embed financial inclusion into other agendas, making clear the links between financial inclusion and other forms of inclusion</li> </ul>	South East and East of England; Scotland; Yorkshire and the Humber; South West;
<ul style="list-style-type: none"> <li>To use the roll out of Money Guidance to reach new clients and raise awareness of financial inclusion</li> </ul>	South East and East of England; Wales; Yorkshire and the Humber; North West
<ul style="list-style-type: none"> <li>To work more strategically with local authorities and the financial services sector</li> </ul>	South East and East of England; Scotland; North East;
<ul style="list-style-type: none"> <li>To take advantage of the Big Society and localisation agendas</li> </ul>	Yorkshire and the Humber; South West; Midlands
<ul style="list-style-type: none"> <li>To focus on preventative financial capability projects in the community</li> </ul>	Scotland; North East; North West
<ul style="list-style-type: none"> <li>To develop new innovative services to meet a changing and growing need</li> </ul>	Scotland; North East; North West
<ul style="list-style-type: none"> <li>To develop the use of new technology in working with partners and clients</li> </ul>	Wales; South West
<ul style="list-style-type: none"> <li>To improve understanding of financial inclusion among the wider public as people rethink their</li> </ul>	South East and East of England; Midlands
<ul style="list-style-type: none"> <li>To promote the role of affordable credit in tackling financial exclusion and gain wider support for the sector</li> </ul>	Wales

## Challenges

As with the main opportunities, members were also asked to consider the challenges they were facing in their work:

Challenges for financial inclusion identified in regional discussions

THEME	REGIONS DISCUSSED
<ul style="list-style-type: none"> <li>• Reductions in funding and end of current funding streams</li> </ul>	All
<ul style="list-style-type: none"> <li>• Rising unemployment and changes to welfare benefits results in increased client needs</li> </ul>	All
<ul style="list-style-type: none"> <li>• Joined-up working can be a challenge, due to resources levels and competition for funds</li> </ul>	Scotland; Yorkshire and the Humber; South West; North East; North West; Midlands
<ul style="list-style-type: none"> <li>• Lack of meaningful support for the affordable credit sector</li> </ul>	South East and East of England; Wales; Midlands; South West
<ul style="list-style-type: none"> <li>• Loss of skills in the sector as staff move to more secure</li> </ul>	Scotland; Yorkshire and the Humber; Midlands
<ul style="list-style-type: none"> <li>• Ensuring financial capability is introduced in an appropriate and effective manner</li> </ul>	South East and East of England; North West
<ul style="list-style-type: none"> <li>• The notion of the 'Big Society' and how this will work is not yet understood – organisations do not yet know how they will work within this structure</li> </ul>	Wales; South West;
<ul style="list-style-type: none"> <li>• Changing government agendas may make it more difficult to champion financial inclusion to other stakeholders</li> </ul>	Yorkshire and the Humber; North East;
<ul style="list-style-type: none"> <li>• No consensus on how to demonstrate the cost/benefit of financial inclusion work and its wider impact or resources to do so</li> </ul>	South East and the East of England; North East;
<ul style="list-style-type: none"> <li>• Moving away from crisis management work towards preventative work involves reaching clients at a point when they may be less accessible and don't</li> </ul>	Scotland; North West
<ul style="list-style-type: none"> <li>• The pervading culture around finances makes it difficult to send positive messages around money management</li> </ul>	Wales;
<ul style="list-style-type: none"> <li>• Differences in levels of inclusion within an area, making it difficult for some local authorities to see the benefit of financial inclusion work</li> </ul>	South West

## Discussion

It is clear that, despite regional variations, financial inclusion stakeholders across the UK have strong and consistent ideas about the main opportunities for the development of their work and the sector as a whole. There is also consensus over the main challenges the sector faces, with many of the challenges being potential barriers to the sector taking advantage of the opportunities. The related opportunities and challenges are discussed in more detail below.

Opportunities – Improve joined up working; developing new innovative services to meet need

Challenge – Reduction in funding and an increased competition for restricted funding streams; loss of skills in the sector as staff move on

All regions identify more joined-up activity through the building of new partnerships and the development of greater regional cohesion as being key opportunities for them going forwards. There is wide variation between how cohesive regions feel their work is. For example, members in the North East feel they worked well as a region whereas members in the South West report greater fragmentation. However, regardless of how successful current partnerships are, all feel there are areas where there can be improvement, especially in the face of restricted funding streams. Related to this is the concern that limited funding could hinder partnership building, with a fear that organisations may become more territorial with competition for remaining funding increasing. The uncertain funding landscape is also leading to a drain of skills and knowledge from the sector as posts are cut or individuals look for more secure work in other sectors. While this loss will undermine all aspects of developing financial inclusion work, it is particularly damaging for the development of partnerships as many current linkages occur through informal relationships between individuals.

Networks were frequently identified as being a key facilitator of successful partnerships, and the vast majority of members identified effective networks they used in the delivery of their work. However, members also feel that there is no one network that brings everything together and that the networks that do exist in a region are often poorly linked with each other, sometimes resulting in duplication of work and hindering the sharing of best practice. This is particularly the case where members identify networks existing at different levels of work – from a grassroots-level through a practitioner-level and up to policy and strategic-levels. This often results in good horizontal linkages but poor vertical linkages, with members feeling that both are required for a truly joined-up picture of working.

Opportunity - Developing new innovative services to meet need; to develop the use of new technology to reach clients

Challenge – Reduction in funding

Several regions see the current climate as providing an opportunity to move away from old models of working and develop new services. Some members feel this will happen through necessity as organisations and projects lose funding. However, members also feel that this requires a proactive approach to service development and the risk is that limited funding will result in organisations either trying to 'shore up' what they already do or take a reactive response, failing to act at all until the impact of changes was already being felt and potential for controlling a situation had been lost.

Many members, particularly those in regions with a high percentage of rural areas, feel there is an opportunity to utilise new technology in working with partners and clients. However, there are also concerns that this will be difficult to resource and may not actually result in the delivery of a better, more inclusive service.

Opportunity – To demonstrate the economic and social impact of financial inclusion work

Challenges – Gaining consensus on how to do this and resourcing cost/benefit work; Differences in levels of inclusion within an area can make it difficult to demonstrate the need

A key opportunity is to demonstrate the economic and wider social impact of financial inclusion work, with many members feeling that the current economic climate will help demonstrate these benefits clearly. Many feel that now more than ever it is important to prove impact and demonstrate outcomes in order to make a business case for continued support for the sector. In the Yorkshire and Humber region such a piece of work has already been undertaken, with a report in Leeds suggesting that for every £1 put into financial inclusion initiatives £8 is saved in

the community<sup>5</sup>. The report has been used widely and successfully in the region to secure continued support for individual areas of work although, interestingly, awareness of the report

among stakeholders in other regions is not always high.

While many agree that it is of great importance for the sector to be able to demonstrate impact, there was uncertainty about whether this is within their current capacity. Many members feel that to effectively demonstrate economic and social impact they first required consensus on the outcomes they are trying to affect and this does not always exist. Other practical difficulties include financially resourcing the work and conducting the analysis over a period of time. There is also an issue around whether the impact of financial inclusion work can be clearly demonstrated in areas where the problem may be hidden by surrounding affluence – members in the South West identify what they called the ‘Cornish model’ where relative inclusion may often appear to be high in many measurements but this masks pockets of high levels of exclusion.

Opportunities – to embed financial inclusion in other work areas; to work more strategically with local authorities and the financial services sector

Challenge – Changing Government agendas may make it more difficult to champion financial inclusion;

Many members feel financial inclusion as a term encompasses many different areas of work and therefore, while the government strategy on financial inclusion may change, there are opportunities to continue some work streams by embedding them in other agendas, for example with child poverty and ‘back to work’ programmes. Some members have already been successful in doing this, for example some members in Scotland were active on the Scottish Government’s Tackling Poverty board. However, it is also felt that ambiguity around the term financial inclusion will present many challenges if government changes its focus, removing a

current 'hook' for the sector, particularly when working with local government and the financial services sector.

Opportunities – To focus on preventative financial capability projects; to use the roll out of Money Guidance to reach new clients; to improve understanding of financial inclusion among the wider public

Challenges – Ensuring financial capability is introduced in an appropriate and effective manner; engaging clients is difficult as many don't see the need until they reach crisis point; the pervading culture around finances can make it difficult to engage with individuals

---

<sup>5</sup> To download a copy of 'Economic Impact and regeneration in city economies – the case of Leeds' please visit [http://www.leeds.gov.uk/Advice and benefits/Community advice/Financial inclusion project Research](http://www.leeds.gov.uk/Advice_and_benefits/Community_advice/Financial_inclusion_project_Research)

[2009 on Economic impact of initiatives.aspx](#)

All discussions covered the opportunities that exist to reach more people with preventative financial capability work. Some felt that the recent 'credit crunch' and subsequent media focus on personal finance has resulted in people being more receptive to thinking about money management. The national roll out of CFEB's Money Guidance work is also seen as an opportunity to engage with more people and improve public understanding around financial capability and wider financial inclusion issues. However, not everyone agrees that people really are receptive to talking about their finances, with the majority of engagement still only occurring once an individual had reached crisis point. It is also felt that the delivery of effective financial capability work, particularly in schools, often relies upon the person delivering the training themselves being confident with the content and their own levels of understanding. If the responsibility for delivering was added to the workload of existing teachers there is concern that there would be a wide variation in standards of delivery and therefore effectiveness of the intervention would be limited.

Opportunity – To take advantage of the Big Society and localisation agendas

Challenge – A lack of understanding of how financial inclusion can fit within these agendas

Most regions mentioned the Big Society and localisation agendas and it is felt that there are opportunities within these to support, develop and deliver financial inclusion work at the grassroots level. Members are, however, unsure about exactly what the Big Society agenda will look like and feel it isn't being communicated by the Government in a clear enough manner for them to have a meaningful idea of how financial inclusion could take advantage of Big Society developments.

Opportunity – To promote the role of affordable credit

Challenge – Lack of meaningful support for the affordable credit sector

Affordable credit, and its role in tackling financial exclusion, was discussed in all regions visited. Several members feel that now is an ideal time to promote affordable credit more widely to people who need to borrow but are unable to access mainstream finance options. However, while there was agreement from all that affordable credit has an important role to play, many feel that the sector is not sufficiently supported to work with all excluded individuals and cannot compete with higher-cost lenders in terms of promotion. Some feel that a high expectation is being placed on the affordable credit sector without sufficient assistance being offered. There is also a feeling that views within the sector itself are not always consistent when it comes to the role affordable credit can and should play.

## Supporting the financial inclusion sector going forwards

The above discussions consider the major opportunities and challenges for financial inclusion as identified by those stakeholders currently involved in devising and delivering the work. We are committed to using its resources to support its members to take advantage of these opportunities and meet these challenges. We also believe that in uncertain times it is vital that these discussions inform the development of future financial inclusion strategies in

central government and will work to ensure that this happens. However, as has been recognised by the sector, the reality of the current situation is that funding levels are falling and government supported coordination initiatives, such as the Financial Inclusion Taskforce and the DWP Financial Inclusion Champion scheme, are coming to an end. There is a real risk that a lack of a central strategy could undermine the good work being done and threaten the cohesiveness and common purpose that exists in the sector.

Through 'Joining the Dots' we spoke to over 250 stakeholders across the UK at our regional events, received the views of over 350 members via our national survey, and held a number of one-to-one discussions with key stakeholders. We have conducted what has been the widest consultation to date on the development of financial inclusion. Going forwards we believe that the drive required for the sector to continue developing needs to come from those organisations and individuals involved in the delivery of financial inclusion work. There are many examples of great initiatives across the UK and a large number of passionate and highly skilled individuals working in this sector. To harness this and secure and build on these initiatives, as a sector we need to be better joined up and more collaborative in our work, developing more meaningful partnerships and sharing our experiences widely.

We are committed to supporting the sector to ensure this can be achieved and, having completed our Joining the Dots review, we believe that we are in a strong position to do so. This does not involve radically changing what we have successfully been doing so far, designing new systems or branching into new areas of activity. Instead it means ensuring that we properly utilize and target our own existing strengths: our membership size and scale; our independence; and our track record of successfully bringing different stakeholders together in order to forward financial inclusion work and discussions.

In 2011 we will re-launch its operations with a renewed focus on:

- facilitating linkages between organisations;
- sharing and encouraging the development of best practice;
- unifying activity where required within and across regions;
- championing financial inclusion causes to other stakeholders.

In delivering this we will:

Build a new website with improved functionality, a more comprehensive library of information and greater opportunities for interacting with our members;

Form a steering group representative of Our members across the UK to direct our work and provide a forum for sharing ideas across regions;

Establish a forum for working directly with the financial services sector;

Hold follow-up regional events in 2011 showcasing work from other parts of the UK and promoting best practice;

Create a brokerage service bringing together different organisations to share knowledge and experience in areas where need is identified;

Hold an annual national event to bring all of the work together and seek to form a cross-UK, cross-sectoral consensus on the value and aims of financial inclusion work.

In addition to this we will continue to act as a hub for communication and information while proactively seeking new funding opportunities for the development of members' work.

## Conclusion

This paper reports on the opportunities and challenges for the development of financial inclusion work as identified through discussions with over 250 members working across the UK. It provides the only attempt to comprehensively collate and communicate the sector's views on the current financial inclusion scene to wider stakeholders and decision makers. In uncertain times for financial inclusion it is more important than ever that the input of those active in delivering financial inclusion work inform current and future discussions concerning the development of central financial inclusion policy. To this end, in addition to being available for all members and wider stakeholders, this paper is being presented to key decision makers in Government with the offer of follow up conversations to discuss how we can ensure that

the views of financial inclusion stakeholders across the UK are heard and the sector is supported to continue tackling the serious effects of financial exclusion.

We are committed to supporting its members and the sector as a whole in the face of funding cuts and the anticipated end of centrally backed coordination initiatives. It will do this through: facilitating linkages between organisations; sharing and encouraging the development of best practice; unifying activity where required within and across regions; and championing financial inclusion causes to other stakeholders. Our wider 'Joining the Dots' review, which these events have been one part, will inform the way in which we do so.

---

Toynbee Hall  
28 Commercial Street  
London  
E1 6LS  
Tel: +44 (0) 20 7247 6943  
Email: [info@financialhealthexchange.org.uk](mailto:info@financialhealthexchange.org.uk)  
Website: [financialhealthexchange.org.uk](http://financialhealthexchange.org.uk)



FINANCIAL  
HEALTH  
EXCHANGE

---

Registered Charity No. 211850. A company limited by guarantee. Registered office as shown.  
Registered number. 20080 England Copyright© Toynbee Hall. All rights reserved

